Summaries

Globalisation and Poverty: Implications of South Asian Experience for the Wider Debate

Jeffery Round and John Whalley

This article discusses linkages between globalisation and poverty in four South Asian countries, drawing upon eight papers prepared for a Department of International Development (DFID)-supported project. These countries were chosen, in part, because liberalisation occurred in these countries in the mid-1980s to early 1990s and was substantial, providing clear globalisation shocks as a laboratory experiment to discuss linkage. Countries generally seem to experience declines in absolute poverty over the period although relative poverty (i.e. inequality) is roughly constant. Determining linkage effects is difficult, however, as the analyses show. Excluded, non-globalisation, variables such as changes in remittances in the Pakistan case, account for much of the inequality change, and once removed can change its sign. Depending upon whether trade liberalisation is in the form of tariff change, whether tariff revenue is forgone by an equal-yield VAT or a progressive income tax, or other factors, different inequality impacts can be attributed to globalisation. Broad generalisations as to globalisation-poverty linkage do not appear to follow easily from these country episodes.

Globalisation and Poverty: How can Global Value Chain Research Inform the Policy Debate?

Khalid Nadvi

This article reviews the link between globalisation and poverty, by drawing on evidence from global value chain studies on garments, horticulture and textiles. To date, most value chain studies concentrate on ties between global buyers and local suppliers, often ignoring labour. Revisiting the value chain model with a stronger poverty and labour focus shows how insertion into global value chains, and the dynamic processes that ensue within the chain, can have important pro-poor implications. The findings from the studies indicate significant employment and income gains to workers, especially women workers, from export manufacture. They also show how competitive challenges from within the chain, and through changes in trade rules, result in differentiated gains, with winners and losers among workers, and changing employment contracts. This raises important policy lessons for pro-poor development, in terms of developing country strategy and with respect to the impact of developed country policies and enterprise strategies.

E-commerce for Developing Countries: Expectations and Reality

John Humphrey, Robin Mansell, Daniel Paré and Hubert Schmitz

Development agencies have emphasised the potential of business-to-business (B2B) e-commerce to reduce barriers to entry to global markets for small and medium-sized enterprises in developing countries. E-marketplaces would allow firms to buy and sell online, reaching customers across the world at low cost. A study of B2B e-marketplaces and the use of the internet by developing country firms shows a different picture. There is little evidence that firms are using the internet to find new customers and suppliers or to buy and sell goods online. And there is little prospect that it will. Nevertheless, the internet is being used by firms for supply chain coordination. It facilitates existing relationships rather than creating new ones.

Capital Flows to Developing Countries: Trends, Volatility and Policy Implications

Oliver Morrissey and Robert Osei

This article reports on trends and levels of capital inflows, and the volatility of such inflows, of a sample of 60 developing countries over the period 1970–97. The data covers aid and other development finance as the principal forms of official flows, and two sources of private capital – foreign direct investment (FDI) and other private capital (OPC) flows. For each type of inflow to each country, three alternative measures of volatility are

calculated. To summarise the results, the countries are grouped into low-income, lower-middle and upper-middle income. The article provides evidence that official flows are less volatile than private flows and the instability in FDI is lower than in other private flows. The article also shows that the poorest countries have become increasingly reliant on aid, attracting almost no private capital and little FDI. Only the richer developing countries attract significant volumes of FDI and private capital (and both are quite volatile). The article then goes on to discuss the factors that influence inflows and the implications of these trends in inflows for macroeconomic policy.

Financial Globalisation and Poor Countries: The Impact of International Asset Demand Instability on Emerging Markets

Valpy FitzGerald

It is widely recognised that unstable international capital markets have serious consequences for developing countries, yet the policy prescriptions of the international financial institutions still focus on the need to achieve and maintain "sound fundamentals" in the host economies. This article directly addresses the volatile behaviour of the aggregate international demand schedule for emerging market (EM) securities itself, and thus how fluctuating risk aversion and interest rates within *developed* countries affect the level and cost of private capital flows to developing countries. The standard single equation "push-pull" model of capital flows is replaced by a simultaneous equation model that determines sovereign bond yields and flows together. Interaction effects captured include portfolio herding and price bubbles, with time-varying investor risk aversion affecting yields and flows. The econometric results reported contribute a valuable insight to the impact of short-term shifts in the asset demand schedule on emerging markets. The policy implications include the need for compensating market interventions in global capital markets, the encouragement of longer holdings by pension funds and concerted demand management by host central banks, as well as prudential restrictions on short-term borrowing abroad. Macro-financial instability in emerging market countries – which undermines real investment and sustained growth with negative consequences for poverty reduction – can only be overcome by this sort of approach.

Is there Progress Towards a Development-orientated International Financial System?

Stephany Griffith-Jones and José Antonio Ocampo

This article sets out the aims for reform of the international financial system, from a development perspective. It emphasises both financial stability and provision of sufficient and sufficiently stable flows to different developing countries. It examines the relatively slow progress in IMF lending facilities, world regulation, debt workouts, development finance and regional schemes. It finishes by exploring the political economy of slow and insufficient progress and suggests lessons for developing countries' bargaining tactics.

Developing Countries in International Negotiations: How they Influence Trade and Climate Change Negotiations

Sheila Page

Developing countries have become convinced that trade can have significant effects on their total income and on their development. Most believe that the effects of climate change will be particularly damaging to poor countries, while some of the measures proposed to mitigate it could provide significant financial benefits. Although they are not the most important or direct policy instruments against poverty, the outcomes of trade and climate change negotiations matter. Therefore, countries have started to participate. Participation works best where they have most experience, where they have the broadest range of allies, and where they are not handicapped by aid dependency. Some can point to achievements. Some countries made gains on agriculture and textiles in the Uruguay Round. Since then, some have succeeded in blocking unwelcome initiatives and putting their issues forward. But the World Trade Organization (WTO) and climate change institutions have not yet been changed to be appropriate for more players with more complex interests.

Whose Rules Rule? Development and the Global Governance of Biotechnology

Peter Newell and Ruth Mackenzie

Amid an increasingly polarised debate about the social and environmental benefits of genetically modified organisms (GMOs), a more challenging question is how to ensure that the rules and regulations designed to minimise risks associated with modern biotechnology and to channel potential benefits to the poor, are responsive to the needs of developing countries. Two key dimensions of this question are explored in this article. The first is the capacity of international institutions to effectively manage a rapidly changing technological sector such as agricultural biotechnology backed by some of the most powerful industries in the global economy. The second is how the policies they adopt are implemented in practice at the national level; whether capacity and resources exist to realise their aims; and whether international agreements are supportive of national developmental goals regarding biotechnology.

The General Agreement on Trade in Services (GATS) and Poor People's Right to Water

Lyla Mehta and Birgit la Cour Madsen

With the conclusion of the General Agreement on Trade in Services (GATS) in 1995 WTO members extended the scope of multilateral trade negotiations to include trade in services for the first time. The agreement, which seeks to expand international trade in a wide variety of services ranging from tourism to telecommunications to education has come under attack from civil society organisations in both the North and the South for having a detrimental impact on poor people's rights to basic services. This article explores some of the allegations put forward by the critics of the GATS using the example of water services and focusing specifically on the impact of the GATS on national governments' ability to safeguard the interests of poor people through regulation. It demonstrates that liberalising water-related services under the GATS may not necessarily undermine, *de jure*, the ability of member-states to introduce the kind of legislative measures that are necessary to safeguard the interests of the poor when basic services such as water are liberalised. Still, *de facto*, the exercise of policy autonomy might be substantially curtailed due to inherent ambiguities in treaty interpretation and the politics of process arising out of power asymmetries and a lack of transparency in processes of negotiation and policy review. These could result in conflicting aims and contradictory outcomes around issues of trade, water provision, equity and rights.